

POCKETS OF POTENTIAL

Reviving SA's diamond heritage

By Nelendhre Moodley

Can South Africa revive its image as a destination of new diamond finds? James Campbell, MD of AIM-listed diamond explorer Botswana Diamonds, believes new technological developments will be the impetus for taking historical prospects up the value chain. This could be a significant game-changer for South Africa's discounted resources.

Projects which, decades ago, were regarded as complicated and uneconomical have today become more than likely viable, and certainly attractive, explains Campbell.

"Breakthrough technology, and in particular drilling technology, continues to evolve at speed. In fact, it was through the use of advanced technology that the Karowe Diamond mine, in Botswana, was lifted from a 2,5cpht to a 25cpht project.

"Today it is a 310 000-carats-per-year project delivering some exceptional stones, including the 1 111-carat Lesedi La Rona, which was priced at \$75m," he says.

Given the opportunities presented by advanced technology, Botswana Diamonds has been casting its eye on South Africa and, in particular, on opportunities to upgrade historical deposits into viable operations.

According to Campbell, international



investors have been shying away from investing in South Africa, owing to perceptions of high risk and barriers for entry, such as BEE requirements. However, he argues that limited competition for exploration ground, primarily as a result of diamond mining major De Beers' shifting of its exploration focus to elsewhere in the world over the last decade, is good news for the explorer.

Further, the availability of latest third-generation diamond exploration technologies offers Botswana Diamonds the opportunity to investigate the viability of a host of previously uneconomical assets.

"South Africa produces in excess of \$1bn of gems per year (around 10% of global supply); it is well placed as a diamond

destination and has a long history of diamond production," suggests Campbell.

THE VUTOMI PROJECT

Earlier this year, Botswana Diamonds entered into an agreement with Vutomi Mining and Razorbill Properties to develop the Vutomi projects, located in the Limpopo, North West and Free State provinces of South Africa.

Vutomi has a portfolio of over 20 high-interest kimberlites, which are housed within 10 prospecting rights, encompassing over 50 000ha of ground. The flagship project, Frischgewaagt, which lies immediately adjacent to the Marsfontein mine, in Limpopo, consists of a minimum 4km-long kimberlite dyke/blow system. Detailed



Drilling at the Vutomi project.

ground geophysics and sampling completed recently yielded a raw diamond value of \$180/ct from 247 carats, explains Campbell.

Since discovering two "blows" on the kimberlite dyke system at Frischgewaagt, the company has been involved in a drilling programme to determine the size of each. So far, the drilling samples contain high quantities of diamond indicator minerals, of similar profile to the highly profitable Marsfontein mine some 20km away, Campbell adds.

"The Marsfontein mine was operated for two years in the late 1990s, and had economics which allowed the entire capital cost to be recouped in less than four days. Its run-of-mine grade was 172cpht at a bottom cut-off of +1.2mm." Campbell is hoping the Frischgewaagt project will deliver a similar set of results.

WILL BOTSWANA DIAMONDS MAKE THE LEAP TO MINER?

According to Campbell, the company has an experienced team with a successful track record of discovery, including the rediscovery of the Karowe mine in Orapa, Botswana, which was sold to Lucara Diamonds, and discoveries for its previous company, African Diamonds, whose assets were spun off into West African Diamonds, and later renamed Steller Diamonds.

The question, though, is whether Botswana Diamonds is looking to replicate the trend it has set for discovering lucrative deposits, taking them up the value curve and subsequently selling them off, or will it look to make the move to miner?

"We gave the original African Diamonds shareholders a 25-fold return on investment, plus shares in Botswana Diamonds. As

A NAME CHANGE FOR BOTSWANA DIAMONDS?

The Botswana explorer's foray into South Africa raises the question of whether the company will consider a name change.

"There is certainly the possibility of a name change or a consideration of splitting the assets and spinning them off into a new vehicle. In fact, African Diamonds originally had projects in Botswana, Guinea and Sierra Leone, with the former remaining in African Diamonds and the latter two spun off into West African Diamonds," says Campbell.



an exploration company, we will look to undertake technical studies to develop the projects in readiness for commercial production, and should there be interest from investors to commercially develop the project, then we would sell; otherwise, Botswana Diamonds itself would consider becoming a miner," states Campbell.

The Botswana-focused company has two joint ventures in the country, namely a 50/50 JV with Alrosa, the world's largest rough diamond producer by volume, with projects in the Orapa and Ghaghoo areas, and the Maibwe JV, with licences also in the Ghaghoo area. ➤

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STRONG LONG-TERM DIAMOND DEMAND FUNDAMENTALS

Looking ahead, Campbell anticipates strong demand for diamonds, on the back of a growing middle class from India and China, and continued strong growth from the US – a significant consumer of diamonds.

Owing to limited and reduced investment in exploration, including from De Beers, which “invests a fraction of what it did in the past”, Campbell forecasts stronger diamond

demand and limited supply fundamentals going forward.

“Apart from limited investment in diamond exploration from De Beers and two other JSE-listed local diamond producers – Botswana Diamonds and Blue Rock Diamonds – there are no other exploration investments from local companies.”

Given that many of the grand old mines

have declining grades and higher running costs owing to mining at depth, Campbell anticipates a widening supply gap.

“Of the 6 000 kimberlites in the world, only 600 have diamonds, and of that, 60 have already been mined. Finding these diamond deposits is a challenging task and requires being at the right place with the right technology, and having the right team.” ■

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KEY STRATEGIES TO BE DISCUSSED:

- A legal analysis of the Mining Charter Amendments
- Understanding compliance implications and financial provisions in line with the One Environmental Systems and NEMA
- Measures to consider, to align yourself with the new proposed Mining Charter
- Bringing your SLP in line with the Objectives of the MPRDA and Mining Charter
- Challenges faced by the mining sector in terms of ownership equity and possible solutions
- Making sense of compliance complexities
- Addressing the ethical considerations when engaging with mine communities and the processes followed to ensure compliance
- Promoting optimal participation of the HDSA into the economy in line with the MPRDA requirements

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